

Date: OCT 12 1990

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(7) of the Internal Revenue Code.

The evidence presented disclosed that the organization was incorporated under the Non-Profit Corporation Act on .

The corporation is organized as a voluntary, non-profit, educational, civic, social and cultural association, of , and employees of the . The corporation is formed as a planning and administrative vehicle for the coordination and operation of a program for providing recognition for longevity of its employees and social activities.

The By-laws state the objective of is to receive and maintain proceeds from the social events throughout the year, that are sponsored by . The proceeds will be used to promote recognition/longevity awards and retirement/separation awards. Community contributions can be made upon nomination from a member of and with a majority vote.

The Bylaw provide for members on . At least one (1) member shall be elected to represent the following units:

- a.
- b.
- c.
- d.
- e.
- f.
- g.
- h. Retired Representative (Desired)

One member of the [REDACTED] Board of Directors should be elected to serve as a non-voting member of the [REDACTED] Association in order to foster ongoing support and cooperation between the two (2) organizations. Total membership of the [REDACTED] Association shall consist of [REDACTED] members and [REDACTED] officers for a [REDACTED] member association. All members shall be approved in writing by [REDACTED].

The recognition and retirement program set the benefits as:

A. Longevity awards: given to all full time employees

1. Five (5) years service, a certificate of service.
2. Ten (10) years service, the 10-year certificate and a pen and pencil set.
3. Fifteen (15) years service, the 15-year certificate and a fifty dollar saving bond.
4. Twenty (20) years service, the 20-year certificate, an engraved pen and pencil set and a seventy five dollar savings bond.
5. Twenty-Five (25) years service, the 25-year certificate, and engraved watch and a hundred dollar savings bond.
6. Thirty (30) years service; the 30-year certificate and \$[REDACTED] in cash.
7. Thirty-five (35) years service; the appropriate certificate and \$[REDACTED] in cash.
8. Forty (40) years service; the appropriate certificate and \$[REDACTED] in cash (Starting with the twenty-fifth year flowers, or other suitable gift will be sent to the spouse of the employee on this actual anniversary date).

B. Retirement and/or separation award

1. Upon termination after five (5) years; an engraved mug.
2. Retirement (minimum 10 years); cash award of \$[REDACTED].
3. Upon an employee's death; \$[REDACTED] to the family.

The organization's sources of income are from:

- Calcutta Night
- [REDACTED]'s Vending
- Concessions from Open House
- And other social events held at the [REDACTED]
- And within the community.
- Certificate of Deposit
- Savings Account

Section 501(c)(7) of the Code provides exemption to clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Regulation section 1.50(c)(7)-1(a) provide that, the exemption provided by section 501(a) for organizations described in section 501(c)(7) applies only to clubs which are organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes... In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments.

In addition, Public Law 94-568 defines gross receipts as those receipts from normal and usual activities of a club including charges, admissions, membership fees, dues, assessments, investment income, and normal recurring capital gains on investments, but excluding initiation fees and capital contributions. Public Law 94-568 also states that it is intended that social clubs should be permitted to receive up to 35 percent of their gross receipts, including investment income, from sources outside of their memberships without losing their exempt status. Within this 35 percent amount, not more than 15 percent of the gross receipts should be derived from the use of the social club's facilities or service or services by the general public.

Revenue Ruling 58-589, C.B. 1958-2, 266, sets forth the criteria for exemption under section 501(c)(7) of the Code and provides that a club must have a membership of individuals, personal contacts, and fellowships. A commingling of members must play a material part in the activities of the organization.

Revenue Ruling 67-428 1967-2 C.B. 204 held, the requirement of individual membership derives from the requirement of personal contacts and fellowship between members. It is evident that fellowship between members cannot play a material part in the activities of an organization composed of artificial entities.

Accordingly, we conclude that by limiting your membership to [REDACTED] members who in turn will represent various units and by granting recognition, retirement, separation and death benefits, you do not meet the requirement for exempt status under section 501(c)(7) of the Code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

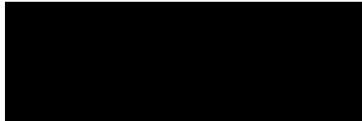
You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,

A solid black rectangular box used to redact the signature of the District Director.

District Director

Enclosure: Publication 892